

City of Takoma Park

Rent Stabilization Overview

Chapter 6 Housing
Article 5 Rent Stabilization

What is rent stabilization?

- Adopted by ordinance in 1980
- Created to maintain the stability of rents because there was a shortage of rental housing
- Establishes maximum rent increases
- Applies to 3,117 of 3,871 licensed units

Which rental properties are subject to rent stabilization?

- Multi-family rental facilities
- Single family houses/condominiums (if the landlord owns two or more)

Which rental properties are exempt from rent stabilization?

- Owner occupied group homes
- Landlords owning a single rental unit
- Accessory apartments
- Properties used for treatment of illnesses
- Property-based Section 8 rental facilities

Exhibit A

What is the rent stabilization allowance?

- Maximum annual rent increase
- Effective July 1st of each year
- Equal to 70% of the percent change in the Consumer Price Index for the local area

Exhibits B,C,D

What is a rent stabilization report?


- Annual reporting of:
 - Changes in rents during reporting period
 - Utilities included in the rents
 - Fees charged in addition to the rents

Exhibits E,F



What notice is required for rent increase?

- Written notice (2 months)
- No rent increase allowed if:
 - Code violations existed prior to notice
 - Unpaid city taxes, fees or fines
 - Invalid rental housing license
 - Failure to comply with COLTA order



How does rent stabilization affect an occupied rental unit?

- One rent increase in any 12-month period
- Applied on or after the anniversary date
- Rent can be increased no higher than rent stabilization allowance


Exhibit G



Why might a unit have a higher "maximum allowable rent?"

- Annual rent increase not taken by landlord during current tenancy
- Capital Improvement/Hardship Petition rent increases not taken during current tenancy

Exhibit H



How does rent stabilization affect a vacant rental unit?

- Maximum allowable rent may be charged if:
 - Tenant voluntarily vacated unit, or
 - Vacancy is due to breach of lease by tenant
- May result in more than one rent increase in a 12 month period



What is a rent escalator clause?

Allows an increase in rent on the anniversary date when the anniversary date is different from the commencement date of the lease

Exhibit I



What is a rent increase petition?

- Process by which rents may be increased higher than the Rent Stabilization Allowance

Capital Improvement Petition
Hardship Petition



What does a capital improvement petition provide?

- Recovery of the cost of eligible capital improvements over an amortized period
- Maximum 15% rent increase per year for occupied units

Exhibit J



What are eligible improvements?

- Necessary to maintain compliance or to obtain compliance with Property Maintenance Code
- Useful life of more than one (1) year
- Cost of \$200/unit or \$2,500/rental facility
- Limited to one increase per type of improvement unless good cause demonstrated by landlord
- Security-related improvements



When can a capital improvement petition be filed?

- No more than 6 months before completion of improvement,
- No more than 6 months after completion of the improvement, or
- If due to need for immediate repair, no more than one year after completion of the improvement



How is a capital improvement petition evaluated by COLTA?

- Cost of eligible and verified improvements
- Financing costs
- Amortization periods

Exhibits K,L



What is the purpose of a hardship petition?

- To “protect tenants from unwarranted rent increases, while also allowing rent levels which provide landlords with a fair return on their investment.”



When would COLTA grant a hardship rent increase?


- When the net operating income (NOI) in the base year is larger - after adjusting for inflation than the NOI in the petition year



How is the Net Operating Income (NOI) calculated?

- NOI is equal to the rental income less operating expenses
 - Can be documented by landlord, or
 - Calculated as 40% of rental income

Exhibits M, N



What costs are not considered when calculating operating expenses?


Examples include:

- Mortgage payments
- Maintenance expenses that are reimbursed
- Late fees (services, utilities, etc.)
- Fines




How is base year established?

- Established by code as 1990
- 1987 or 1979 can be used as a pre-rent stabilization base year
- Alternative base year may be established for good cause



What is considered in the review of a hardship petition?

- Net rental income in base year and petition year
- Operating expenses in base year and petition year




What notices are given to tenants during the petition process?

- Petition within one week of COLTA filing
- Preliminary Administrative Decision (PAD) within one week after landlord receives decision
- Two-month written notice of proposed rent increase



What is the earliest a petition rent increase can be applied?

- No less than two months after the petition is filed with COLTA
- Can be retroactively applied once COLTA decision is finalized
- May result in a second rent increase within a 12-month period



How does the city monitor the petition process?

- Contact tenants following receipt of petition
- Include tenants' concerns with petition
- Review accuracy of rents
- Review history of previous improvements
- Construction consultant verifies improvements



Monitoring of the petition process

Continued . . .

- Rents analyst reviews petition in accordance with code and regulations
- Staff assures that tenants receive PAD
- If there are written objections to PAD, petition is referred to COLTA for hearing



How does the city enforce rent stabilization?

- Review of each annual rent report
- Identify properties not in compliance
- Issue municipal infraction citations
- Conduct random rent surveys
- Investigate allegations of illegal increases
- Refer violations to COLTA for hearing



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City of Takoma Park Maryland
Housing and Community Development Department
Office of Landlord and Tenant Affairs
September 2004